

Message Text

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ACTION EUR-25

INFO OCT-01 ISO-00 EURE-00 L-03 EB-11 FCSC-01 COME-00

TRSE-00 H-03 SS-15 NSC-10 CIAE-00 DODE-00 INR-10

NSAE-00 PA-03 RSC-01 USIA-15 PRS-01 SPC-03 DRC-01

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P R 241610Z SEP 73

FM AMEMBASSY PRAGUE

TO SECSTATE WASHDC PRIORITY 5143

INFO AMEMBASSY WARSAW

C O N F I D E N T I A L PRAGUE 2268

WARSAW FOR JOHN BAKER

E.O. 11652: GDS

TAGS: PFOR, EFIN, L/C, CZ

SUBJECT: CLAIMS NEGOTIATIONS STATUS

REF: STATE 189306

1. AT WHAT MAY BE END OF FIRST PHASE OF TALKS, IT SEEMS TIME TO SUM UP CZECH PERFORMANCE AND LOOK AHEAD TO SEE IF ANYTHING THERE. IN FIRST TWO WEEKS, CZECHS HAVE CONCENTRATED ON TWO THEMES: (1) US VALUATION OF CLAIMS IS EXCESSIVE, TO EXTENT WHICH RAISES QUESTION OF VALIDITY OF \$26 MILLION SETTLEMENT OFFER; (2) CZECHS CONSIDER CLAIMS AGREEMENT AS RELATED TO FUTURE TRADE POSSIBILITIES, AND THUS EXPECT TO TIE AGREEMENT IN SOME WAY TO GRANT OF MFN AND TRADE NEGOTIATIONS.

2. ON FIRST OF THESE, WE HAVE BEEN TREATED TO FULL EXPOSITION OF CZECH ARGUMENT IN SUPPORT OF ITS LEGAL POSITION ON COMPENSATION, AND HAVE REBUTTED IT, WHILE REFUSING TO BE DRAWN INTO DISCUSSION OF CASES OR TO CONCEDE THAT FCSC RULINGS ARE SUBJECT TO ADJUSTMENT. IT SEEMS PAINFULLY CLEAR THAT CZECHS DO NOT EXPECT ARGUMENT TO SUCCEED, AND INCREASINGLY CLEAR THAT TACTIC IS LITTLE MORE THAN ATTEMPT TO FIND BASIS

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WE WILL ACCEPT FOR SOME FLEXIBILITY ON LUMP SUM.

3. ON MFN AND TRADE TALKS, CZECHS HAVE APPARENTLY ACCEPTED FACT THAT THEIR STATED POSITION IS NOT VIABLE, BUT SEEM CLEARLY TO BE UNWILLING TO CONCLUDE AGREEMENT WHICH LEAVES THEM SUBJECT TO PAYMENT OF FULL LIABILITY IN ABSENCE OF MFN AND OTHER TRADE-RELATED FEATURES OF PONTENTIAL COMMERCIAL AGREEMENT.

4. IN MONDAY'S SESSION (PRIOR TO WHICH REFTEL HAD NOT BEEN RECEIVED) WE REFUSED TO PROPOSE ALTERNATIVE TO \$26 MILLION. WE ALSO TOLDS CZECHS THAT WE SAW NO FURTHER VALUE IN CONTINUED DISCUSSION OF LEGAL PHILOSOPHY, AND RAISED QUESTION OF HOW THEY PROPOSED WE PROCEED, IF THEY SEE BASIS FOR CONTINUING. ZANTOVSKY ADJOURNED MEETING UNTIL TOMORROW WITHOUT REPLYING.

5. IN PRIVATE CONVERSATION AFTERWARD WITH ZANTOVSKY, I TOLD HIM FLATLY THAT NO SETTLEMENT WAS POSSIBLE BELOW OUR BASE FIGURE (WHICH HE KNOWS TO BE \$21 MILLION -- \$30 MILLION MINUS \$9 MILLION). I ASKED HIM IF HE WISHED TO MOVE FROM USE-LESS REPETION TO EXPLORATION OF OTHER ASPECTS OF NEGOTIATION, IN WHICH WE MIGHT SEE IF A BASIS EXISTED FOR SETTLEMENT. I POINTED OUT THAT THIS MADE SENSE ONLY IF ZANTOVSKY WAS CONFIDENT THAT CZECHS WOULD ACCEPT OUT FIGURE FOR LUMP-SUM. WITHOUT EXPLICIT RESPONSE ON LAST POINT, HE CLOSED DISCUSSION WITH REMARK THAT WE SHOULD MOVE ON TOMORROW TO OTHER PORTIONS OF NEGOTIATION.

6. UNDER CIRCUMSTANCES IT SEEMS WISE TO MOVE AHEAD WHILE SEEKING FURTHER TO ASSESS WHETHER CZECHS ARE IN FACT PREPARED TO MEET LUMP-SUM POSITION. IN ANY EVENT, ZANTOVSKY IS CLEARLY UNDER INSTRUCTIONS NOT TO RECESS TALKS. WE HOPEFULLY WILL SOON BE IN POSITION TO JUDGE BETTER THAN NOW WHETHER WE CAN FIND COMMON GROUND IN OTHER PROVISIONS WITH LUMP-SUM PAYABLE ON OUR TERMS.
WORTZEL

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